



JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

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DIRECTIVE NUMBER 154

June 28, 2000

REQUEST FOR INFORMATION

TO: All Louisiana Domiciled Life Insurers, Industrial Life Insurers, Service Companies and Non-Profit Life Insurers

The Louisiana Department of Insurance has recently become aware of certain practices employed by insurers that result in a different cost for life insurance for similarly situated policyholders based on race.

We have been informed there may be examples uncovered where the initial discriminatory treatment was never corrected to a race neutral practice and is still in force. In other words, while the company may be presently using a race neutral rate on recently issued policies, they are in fact still collecting on older policies with different premiums being collected based on race.

It has further come to our attention that several other states have now initiated information gathering and investigations into this matter.

The Florida Department of Insurance is not limiting its investigation or settlement on race-based practices. They are also looking at small value life insurance business in general, in all its various distribution forms, and attempting to do an analysis of these policies. They will emphasize in this analysis the overriding goal of fair policyholder treatment. They are studying issues such as appropriate disclosure, and issues of the suitability of these products for the policyholder. Included in this study is the issue of fair value for the premiums paid, including the sale of multiple policies and cases where the premiums paid exceed the face value.

This directive is to notify you that the Department would expect your company to immediately investigate the matter of race-based rates, and if so discovered, immediately develop a plan for corrective action.

This directive is also to assure you that regardless of the settlements the Florida Department of Insurance enters into with any licensed company, these settlements will not necessarily be used as a template in Louisiana. While we will be looking into these issues, we will be doing them on a company by company basis and we are sensitive to the fact that this will be a process that will be unique to each company.

In order for the Department to understand the full extent of these practices, we are directing that your company provide the following information. The answers to the questions should take into account small value life business commonly referred to as industrial life, pre-need/burial insurance, monthly debit ordinary or any other type of life insurance with the exception of employer/employee group insurance. This information is requested pursuant to the Department's examination authority under La. R.S. 22:1301 et seq. Your responses will be held confidential pursuant to La. R.S. 22:1302(J)

1. Is your company currently marketing life insurance policies with premium rates, face amounts or non-forfeiture values that reflect underwriting and premium development based on race?
2. Has your company ever marketed and still have in-force as of March 31, 2000, any life insurance policies with premiums, face amounts or non-forfeiture values that continue to reflect underwriting and premium development based on race? If the answer is yes, provide information as to the number of policies, annual premiums, face amount, and cash values, classified by both Louisiana business and nationwide business and issue year intervals, i.e. pre 1950, 1950-1959, 1960-1969, 1970-1979, 1980-1989, 1990 to the present. Please provide any associate distinction by plan code.
3. Has your company assumed from another insurer and still have in-force as of March 31, 2000, any life insurance policies with premiums, face amounts or non-forfeiture values that continue to reflect underwriting and premium development based on race? If the answer is yes, provide information as to the number of policies, annual premiums, face amount, and cash values, classified by both Louisiana business and nationwide business and issue year intervals, i.e. pre 1950, 1950-1959, 1960-1969, 1970-1979, 1980-1989, 1990 to the present.

A response to this questionnaire should be provided even if the answers to all of the questions are "no." Please send responses to this questionnaire to:

Ron Musser
Assistant Commissioner
Louisiana Department of Insurance
P.O. Box 94214
Baton Rouge, LA 70804-9214

Each response should contain the name of a contact person and that person's phone number. **The deadline for responses is July 21, 2000.**

If you have any questions concerning this request, please call Ron Musser.

Thank you for your prompt attention to this matter.

JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE

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